

## THE CAPITAL IMPROVEMENT PROGRAM AND CAPITAL BUDGET

### Introduction

The Capital Improvement Program (CIP) is the County's six-year financial plan for constructing and renovating permanent facilities such as schools, libraries, fire stations and roads. Capital projects often take two to three years to complete. The CIP provides a detailed, year-by-year schedule of all planned expenditures and financing requirements for each construction project.

The capital budget refers to expenditures planned for the first year of the CIP and provides the appropriation authority to spend the funds. The funds contained in the capital budget customarily support only a particular phase of a project, such as design, land acquisition or construction.

Since capital facilities provide benefits over a long period of time, the County normally spreads out their costs, paying for them through general obligation bonds and other forms of long-term indebtedness. This ensures that capital costs are not borne solely by today's taxpayers, but that future beneficiaries of capital projects also pay for them.

### FY 2014-2019 Capital Improvement Program and Budget

The FY 2014-2019 CIP consists of 414 projects totaling \$2.6 billion, including projects for the Maryland-National Capital Park and Planning Commission (M-NCPPC) and the Redevelopment Authority.

The FY 2014 approved capital budget consists of 174 projects totaling \$760.3 million. Of that total, 49 projects totaling \$47.5 million are M-NCPPC projects and are not financially supported by the County. The amount of County general obligation bonds programmed for sale in FY 2014 to support capital budget expenditures is \$240.5 million.

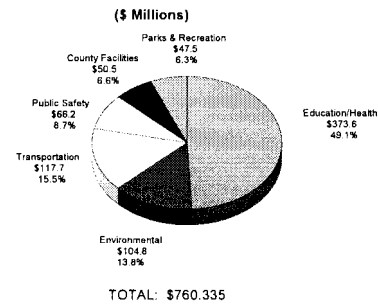
The remainder of this section provides an overview of the FY 2014 capital budget by functional area and highlights key capital projects. The expenditure amounts noted are the total project cost, unless otherwise indicated. For additional details, please consult the FY 2014-2019 CIP.

#### Education and Health

The education and health portion of the FY 2014 capital budget comprises \$373.6 million, or 49.1% of the total budget. This category includes

expenditures for the Board of Education (BOE), Prince George's Community College, Prince George's Memorial Library, Hospitals, and the Health Department. The County and State share the construction costs for Community College facilities, which comprise 4.3% of the allocation to this category.

### FY2014 Approved Capital Budget Expenditures



BOE expenditures account for \$124.0 million or 33.2% of the total expenditures for this category. BOE revenues come from the sale of general obligation bonds and from State aid. Under the current State funding formula, the State should pay for 68% of all eligible school construction costs. The State has allocated 100% of the State funding that represents \$35.3 million to the County for FY 2014 school construction projects.

### Key Projects

#### Board of Education

- Oxon Hill HS Replacement (\$90,052,000) – A new 1,200-seat high school and Felker Avenue road improvements.
- Fairmont Heights HS (\$78,152,000) – A new 953-seat high school.
- Eugene Burroughs MS Renovation (\$42,871,000) - The original building was constructed in 1963, with additions constructed in 1965 and 1976.
- Systemic Replacements (\$115,745,000) – Replaces old and failing mechanical, electrical, building envelope and structural systems.

#### Community College

- Queen Anne Academic Center (\$76,075,000) - A 136,545 gross square-foot addition.
- Facilities Building Renovation (\$8,766,000) - An 8,605 gross square-foot addition.

### Library

- Laurel Library Replacement (\$17,461,000) – A new 32,000 square-foot library with a large community meeting room and public service area.
- Hyattsville Branch Replacement (\$14,322,000) – A new one-story facility between 35,000 to 40,000 square feet.

### Hospitals

- Regional Medical Center (\$218,000,000) – A new state-of-the-art facility to transform County's healthcare system into an efficient effective viable healthcare system.

### Transportation and Economic Development

The transportation and economic development component is budgeted at \$117.7 million, or 15.5% of the total FY 2014 capital budget. Agencies within this category include the Department of Public Works and Transportation and the Redevelopment Authority. Transportation funding comes primarily from general obligation bonds. Additional revenues come from developer contributions and from the federal government, primarily in support of the bridge construction program.

#### **Key Projects**

##### *Department of Public Works and Transportation*

- Curb and Road Rehabilitation 2 (\$110,450,000) – Includes resurface rehabilitation, cut and patch, crack seal, surface treatment and roadway survey.
- County Revitalization and Restoration (\$8,700,000) – Includes \$3 million for Transforming Neighborhoods Initiative (TNI).
- Blight Eradication Program (\$4,500,000) – Demolish and or acquire blighted properties in the six TNI areas.
- Green Street Improvements (\$33,791,000) – Design and right-of-way acquisition for Edmonston Road, Swann Road, Harry S. Truman Drive, Mt. Lubentia Way and Paint Branch Parkway; construction of Ager Road.

### Parks and Recreation Facilities

A portion of capital budget spending is for parks and recreation facilities, accounting for \$47.5 million, or 6.2% of the total. This part of the capital program is administered by the M-NCPPC. Funding comes from a combination of sources that include the sale of bonds by the Commission, State aid under Program Open Space, "Pay-as-You-Go" (PAYGO) funding, and contributions from operating

revenues. These expenditures will be used for the acquisition of park land and for the development of park facilities, ranging from the purchase of playground equipment to the construction of new community centers.

#### **Key Projects**

##### *Maryland-National Capital Park and Planning Commission*

- Southern Regional Tech/Rec Complex (\$26,200,000) – Construction of a recreation complex in the greater Oxon Hill area.
- Consolidated Headquarters Building (\$48,725,000) – A new building for the Headquarters of the Department of Parks and Recreation, Department of Planning and Bi-County Offices.

### Environment

Approximately 13.8% of the FY 2014 capital budget or \$104.8 million will be expended on projects aimed at improving the environment. The two major areas that are addressed under this category are solid waste management and stormwater management. Solid waste management capital projects are funded primarily by revenue bonds. The debt service costs for these revenue bonds are supported by tipping fees charged to trash haulers and other revenues collected by the Solid Waste Management Enterprise Fund.

#### **Key Projects**

##### *Stormwater Management*

- Watershed Implementation Plan II (WIP II) (\$262,493,000) – Includes all impervious area restoration, stream restoration and stormwater quality improvements to reduce the pollutant load to meet the local WIP II total maximum daily load (TMDL) allocation.
- Flood Protection & Drainage Improvement (\$92,907,000) – Includes flood protection and drainage relief project that cost less than \$500,000. Eligible projects will correct home flooding, alleviate road flooding and correct residential yard drainage deficiencies.
- Stormwater Management Restoration (\$85,905,000) – Design and improve stormwater systems and infrastructures. This includes stormwater management ponds, major channels, storm drain pipes and structures and flood control facilities.

##### *Solid Waste Management*

- Sandy Hill Sanitary Landfill (\$28,763,000) – The costs associated with closing the Sandy

Hill Sanitary Landfill, and the construction of facilities to maintain it after closure.

**Public Safety and County Facilities**

Constructing public safety and other County facilities comprise the remainder of the FY 2014 capital budget. These two functions account for 15.3% of the FY 2014 capital budget, or \$116.7 million. The public safety category includes facilities for the Police, Fire and Corrections Departments. Projects under the County facilities portion of the capital budget consist primarily of renovations to current facilities. The funding for projects in these categories are from the sale of general obligation bonds.

**Key Projects**

*Public Safety*

- Detention Center Kitchen Facility Replacement (\$13,199,000) – A modern, stand-alone kitchen will be built above ground to replace the original kitchen located on the basement level.
- Detention Center Medical Unit Renovation & Expansion (\$10,890,000) – Includes an additional 7,500 square feet of space, additional beds, isolation cells, triage exam room, upgrade of the Security Control Station, new ventilation and HVAC systems.
- Brandywine Fire/EMS Station (\$7,050,000) – A new 4-bay Fire/EMS station that includes a station alerting system designed to reduce response times.
- Fire Station Roof Renovations (\$6,788,000) – Design and construct replacement roofs on numerous fire stations.
- Fire Station Renovations (\$38,780,000) – Design and replacing electrical, mechanical, structural and plumbing systems at numerous fire stations. A portion of this funding is dedicated to volunteer stations.
- District VII Police Station (\$11,754,000) – A new 17,000 to 20,000 square-foot Police Station.

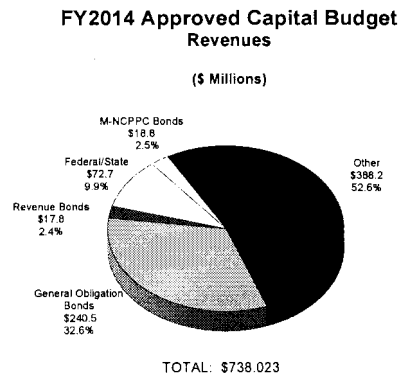
*Other County Facilities*

- County Building Renovations (\$105,809,000) – Major renovations to County-occupied space, including renovations to the County Administration Building and Largo Building Complex.
- Emergency Command Center (\$18,500,000) – Includes renovation and rehabilitating the

Combined Communications Center and will put the County in compliance with mandates.

- Shepherds Cove Women’s Shelter (\$17,000,000) – A new facility that will be an emergency and transitional shelter for women.
- Promise Place Children’s Shelter (\$4,400,000) – A new facility that will be an emergency and transitional shelter for children.
- Enterprise Resources Program (\$42,336,000) – Purchase, develop, and implement software to support the automation of the business process for the County.

**Revenue**



The FY 2014 Capital Budget is supported by multiple revenue sources, including revenues received from prior years. General obligation bonds comprise an important component, and are made up of \$240.5 million from the FY 2014 bond sale. Revenue bonds account for \$17.8 million or 2.4% of the total. M-NCPPC bonds support 2.5% of the total at \$18.8 million. federal and State aid provides \$72.7 million, or 9.9% of the FY 2013 capital budget. The remaining \$388.2 million or 52.6% is comprised of miscellaneous revenues and developer contributions.

SUMMARY OF THE FY 2014-2019 CAPITAL IMPROVEMENT PROGRAM  
EXPENDITURES - BY AGENCY OR PROGRAM

(Dollars in Thousands)

AGENCY/PROGRAM	FY 2014 APPROVED CAPITAL BUDGET	FY 2014-2019 APPROVED CAPITAL PROGRAM
Board of Education	\$ 124,018	\$ 527,860
Stormwater Management	82,463	553,800
Parks and Recreation	47,531	126,357
Hospitals	218,000	218,000
Public Works & Transportation	100,218	372,799
Library	14,419	78,367
Health	1,150	13,250
Corrections	11,292	34,710
Police	41,267	80,537
Fire/EMS	13,600	96,880
Solid Waste Management	22,340	74,795
Community College	16,033	247,656
Central Services	40,662	138,104
Redevelopment Authority	13,100	26,100
Federal Programs	4,367	4,367
Office of Information Technology	9,875	35,836
<b>TOTAL</b>	<b>\$ 760,335</b>	<b>\$ 2,629,418</b>

## Operating Impacts

Constructing capital projects affect the operating budget in two ways:

(1) Interest and principal payments for debt issued for capital projects. To ensure that capital spending levels do not adversely impact the operating budget and the County's ability to maintain current services in future fiscal years, debt levels are carefully monitored. The two principal debt ratios used by the County as debt policy guidelines are:

- The ratio of General Fund debt service to County source revenues not to exceed 8.0%. The level of this ratio is 5.6% as of June 30, 2012, which is within this limit.
- County policy limits net direct debt to no more than 3.0% of the full market assessed value of property. The County's statutory debt limit under the Annotated Code of Maryland is 6.0% of its assessable base. The County remains within this limit at 0.9% of the net direct debt to assessed value for FY 2012.

(2) Capital projects that represent new initiatives or that add additional space to existing facilities impact the operating budget. The most significant effect occurs when additional personnel must be hired to staff the newly constructed facility. Other impacts can include custodial, utility and maintenance costs. If a new building is a replacement for an existing structure, however, the additional expenses are usually minor, and in some instances the County may even realize cost savings. For renovations of existing facilities or infrastructure, the impact on the operating budget is minimal. In the case of resurfacing, road maintenance costs should decrease, resulting in operating budget savings.

### Key Operating Impacts

- Individual environmental projects in the stormwater category do not add significantly to agency operating costs. When taken in aggregate, however, the addition of thousands of feet of new storm drain and numerous holding and detention ponds does have operational impacts. The grounds around flood control systems, drainage channels, retention basins and storm drain easements must be maintained in connection with the new construction. Catch basins and main lines must be cleaned and kept clear of debris, as well. Experience has shown that a formula using a percentage of total project construction cost can serve as a guide to

operating impacts. Based on this formula, the stormwater management capital budget of \$82.5 million can be expected to generate new annual operating expenses of approximately \$4.4 million in FY 2014. This added cost will be supported by the Stormwater Management Enterprise Fund.

